

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 975 – SB 1390

April 25, 2017

SUMMARY OF ORIGINAL BILL: Requires each executive state department to report the number of preferred service employees affected by a reduction-in-force during the previous fiscal year to the Chairs of the State Government Committee of the House of Representatives and the State and Local Government Committee of the Senate by August 1, 2017, and by August 1 of each subsequent year.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (007225, 007804): Amendment 007225 deletes all language after the enacting clause. Authorizes an assessment of eligibles, as defined under current law, to be used in lieu of an interview by the Department of Human Resources (DOHR) for satisfying any requirements of the chapter. Authorizes notice of such assessment to be included in the job description and announcement. Authorizes DOHR to provide input on all contracts with the private sector to perform basic clerical, unskilled or semi-skilled labor, or domestic, attendant or custodial work.

Requires an appointing authority terminating, furloughing, or reducing the work hours of an employee to provide written notice to the DOHR. Requires the DOHR to provide input throughout the reduction-in-force process upon receiving such notice. Requires the DOHR to notify the General Assembly at the same time the preferred state employee whose position is abolished because of a reduction in force is notified, but not less than 30 days after the reduction.

Requires a notice of termination for cause to include the reasons for such termination that led to such termination. Requires any written notice issued to an employee to be void after two years if such employee has not been subject to further disciplinary action.

Amendment 007804 adds a new section to the legislation as amended that prohibits an appointing authority or any public institution of higher education from terminating or furloughing employees, eliminating an employee's position, or reducing an employee's employment hours during the period between the effective date of this Act and July 1, 2018 as the result of a contract entered into with a private party.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

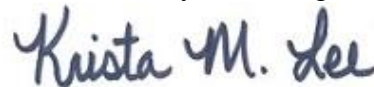
Increase State Expenditures - Exceeds \$15,551,700/One-Time

Assumptions for the bill as amended:

- The proposed legislation as amended will effectively prohibit the state from entering into privatization contracts that would result in a reduction in force or elimination of an employee's position in FY17-18. Agencies will be required to retain personnel whose employment would be impacted by any such contract.
- It is assumed that this bill as amended will result in a delay in contract procurement or modification of any such contracts, rather than a permanent contract termination. Therefore, any savings that would have been realized as a result of any such contract in FY17-18 will not be realized due to this bill as amended.
- The facilities management contract will be directly impacted by this legislation. It is assumed that the Tennessee Technological University, University of Tennessee, University of Memphis, University of Tennessee Health Science Center, and the Tennessee School for the Blind participate in the facilities management contract in FY17-18 under current law.
- The five universities make up only 34 percent of the state's non Facilities Revolving Fund real estate portfolio.
- The current annual operating cost for the five universities is estimated to be \$97,681,566. The annual operating cost for such universities under the facilities management contract is estimated to be \$82,129,871. Therefore, under current law, the state would realize savings of \$15,551,695 (\$97,681,566 - \$82,129,871) in FY17-18 for operations of the five universities.
- This bill as amended is therefore estimated to result in an increase in state expenditures of at least \$15,551,695 in FY17-18. Any impact in subsequent years will be not significant as this bill as amended will not prohibit the state from procuring contracts under the same terms that would be procured under current law.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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